Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Sup

The President's Daily Brief

March 8, 1974

4

25X1

~~*Top Secret*~~

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
declassified only on approval of
the Director of Central Intelligence

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

THE PRESIDENT'S DAILY BRIEF

March 8, 1974

PRINCIPAL DEVELOPMENTS

UK Foreign Secretary Callaghan has told the US Ambassador that good relations with the US will be the "keystone" of British foreign policy, and that Britain will seek a "better deal" with the EC. *(Page 1)*

There are further indications of military preparations by both Syria and Israel in the Golan Heights; the Israelis [redacted] say Cairo has violated the disengagement agreement by moving surface-to-air missile batteries--they count two--within 30 kilometers of the buffer zone. *(Page 2)* 25X1

Soviet Foreign Minister Gromyko evidently had an easier time in Damascus than in Cairo, but the communiqué marking the end of his visit apparently had to paper over important differences. *(Page 4)*

A cease-fire on the Iran-Iraq border was arranged yesterday, after sporadic artillery duels early in the week grew more intense on Wednesday. *(Page 5)*

South Vietnam's economy has been in a slump for almost two years, and the outlook is for more of the same in the months to come. *(Page 6)*

The Guatemalan Army is increasingly uneasy over the massive fraud perpetrated by the government in last Sunday's presidential election. It may be forced to set up a caretaker government, although President Arana would remain in control. *(Page 8)*

The governor of Argentina's Cordoba Province, whose ouster by the provincial chief of police touched off the current crisis, resigned last night. *(Page 9)*

Gromyko's visit to Cairo this month brought assertions in the Egyptian press that Egypt's performance in the October war entitles it to deal with the Soviet Union and the US as an equal. *(Page 10)*

Notes on EC-Canada, the USSR, and Germany appear on *Page 10*.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

UK

Foreign Secretary Callaghan has told the US ambassador in London that Britain will seek a "better deal" with the EC. He intends to proceed slowly and avoid a confrontation. If he succeeds in obtaining better terms and if the conclusion of these negotiations should coincide with new parliamentary elections, the government might put the EC membership issue to the people at the same time.

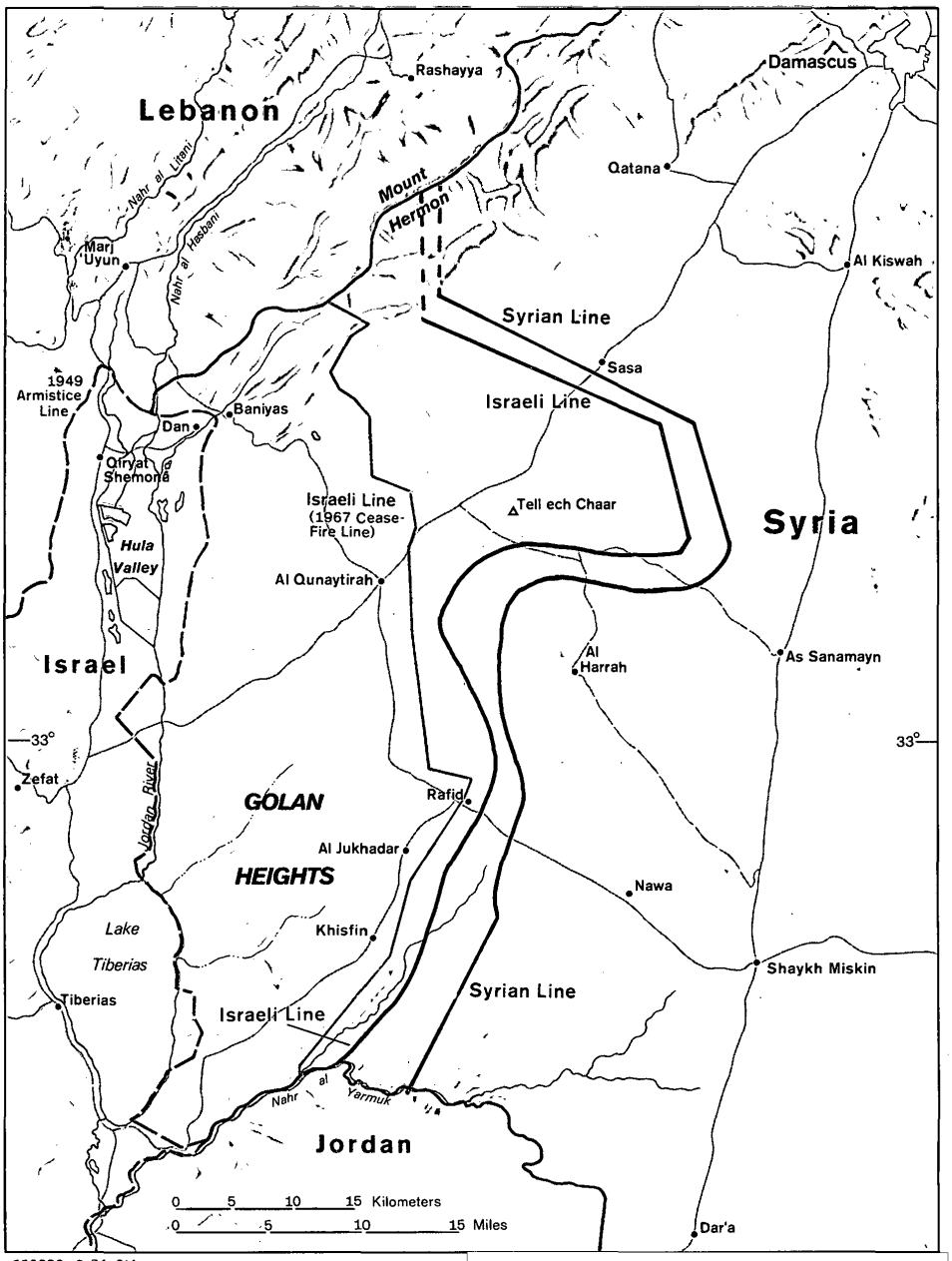
Callaghan stated that he "did not care for" the EC tendency toward federalism. He believes that an "alliance of states" is preferable and that an organization like the OECD is a better forum for cooperation because it includes Japan, Canada, and the US.

Chancellor of the Exchequer Healey criticized French activities in the EC and commented that the UK wants to mend fences in the North Atlantic Community and break down a few in the EC. He added that Labor's policies on the EC generally and on the energy problem would be more in harmony with those of the US than had been the case under the previous government.

Callaghan observed that the keystone of British foreign policy would be good relations with the US but that "Britain will not be a US voice." He favors putting more muscle in the UN and is considering sending a minister of cabinet rank to New York as the British representative.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4



555382 3-74 CIA

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

ARAB STATES - ISRAEL

There are further indications of military preparations by both Syria and Israel in the Golan Heights area. [redacted] 25X1

25X1

25X1

25X1

[redacted] the Israelis refused to let a UN mail truck that was en route from Damascus to Tiberias pass through their lines.

The Israeli refusal suggests that the Israelis may be making preparations of their own in the area that they wish to conceal from UN observers. [redacted] 25X1

25X1

Various reports have been received that the Syrians are concentrating units near the Israeli salient in preparation for an attack on Israeli positions. [redacted] 25X1

* * *

[redacted] Cairo is violating the disengagement agreement by moving surface-to-air missile batteries to locations less than 30 kilometers from the UN buffer zone. [redacted]

25X1

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

25X1

The allegations by the Israelis cannot be confirmed at this time. At the very least, they reflect Tel Aviv's suspicion that the Egyptians may be attempting to strengthen their positions in the same manner as they did following the 1970 cease-fire.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

USSR-SYRIA

Soviet Foreign Minister Gromyko evidently had an easier time in Damascus than in Cairo, but the communiqué marking the end of his Syrian visit indicates a compromise designed to paper over important differences.

The absence from the communiqué of any specific endorsement of the Geneva peace conference apparently reflects Syria's reluctance to go to Geneva until it has a clear Israeli commitment to withdraw from all occupied territory. Moscow has been urging Damascus to participate in the Geneva talks, and is clearly irritated that the Syrians have agreed to conduct disengagement talks with the Israelis in Washington. The communiqué suggests that the Syrians refused to give Gromyko any assurances about the US role as an intermediary.

The Soviets and Syrians agreed that failure to move toward a settlement risks a "new explosion." This intimation of new hostilities, however, was accompanied by a reference to "effective means" for liberating occupied territory. Moscow may interpret this as ruling out high-risk military actions in the Golan Heights.

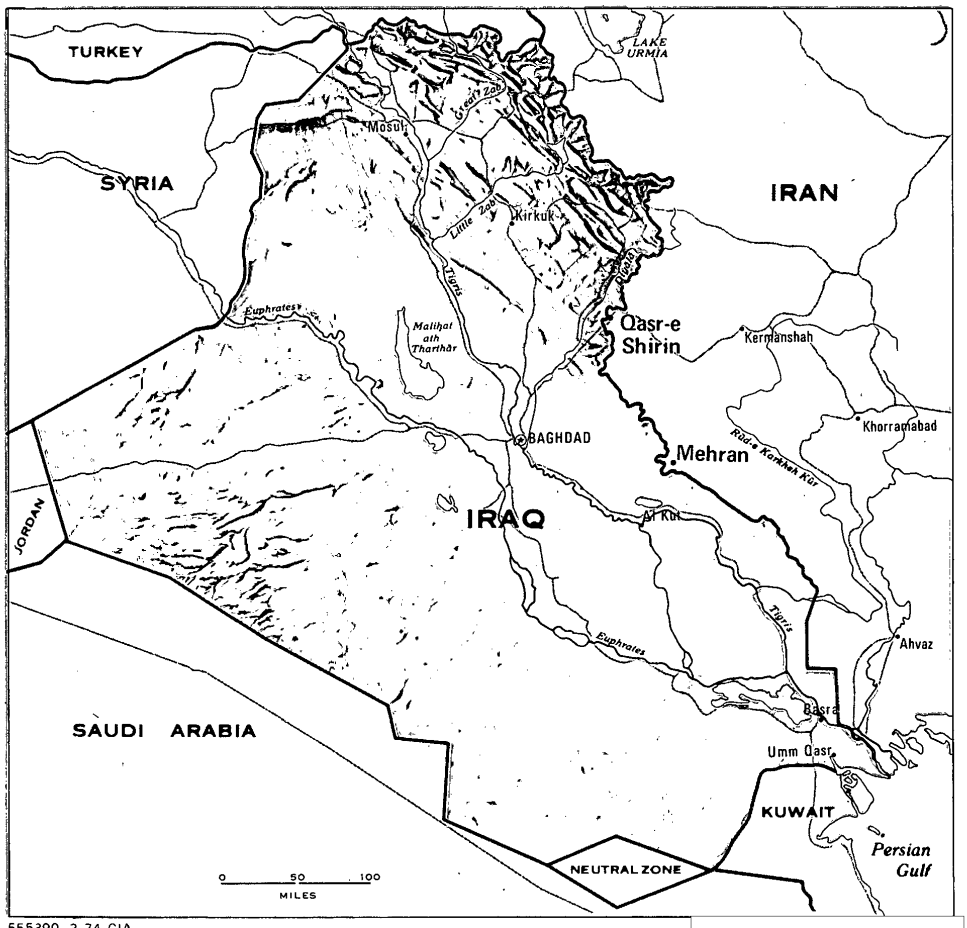
The phrasing of the communiqué lends credence to reports that Syria is dissatisfied with the extent and terms of Soviet military aid. The Soviets agreed only to "mutually advantageous" military cooperation with Syria.

Despite their differences, both countries probably regard Gromyko's visit as a positive achievement. Moscow obviously wanted to break Secretary Kissinger's monopoly on Middle East diplomacy. The Syrians probably welcomed the chance to balance the Secretary's visit with two short stops by Gromyko and to indicate that good ties with Moscow remain a cardinal point in their diplomacy.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Iraq–Iran: Forces on Border



555390 3-74 CIA

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

IRAN-IRAQ

A cease-fire on the Iraq-Iran border was arranged on Thursday by Baathist leader Saddam Husayn al-Tikriti and the new Iranian ambassador in Baghdad, according to an Iranian official. Tehran radio reported yesterday that fighting had ended and that the cease-fire was holding.

Clashes have occurred along a 100-mile stretch of the border from Qasr-e Shirin to Mehran. After sporadic artillery duels early in the week, fighting increased on Wednesday and may have prompted the cease-fire move.

Each side claims the other started the fighting. Tehran officially protested to Baghdad and the UN, and Iraq issued a statement through its chief of staff charging Iran with aggression. Even as the fighting was in progress, the UN was moving to implement last week's Security Council consensus statement, which called for a report on the border situation by an independent observer. Secretary General Waldheim asked the Mexican ambassador to Bonn, Luis Weckmann, to undertake an on-the-spot study. If Tehran and Baghdad approve of Waldheim's choice, Weckmann will take up the task shortly.

The military build-up that began during the border clashes in early February continued until the cease-fire was arranged. 25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

SOUTH VIETNAM

South Vietnam's economy has been in a slump for almost two years, and the outlook is for more of the same in the months to come. Economic difficulties are now President Thieu's most serious internal problem, and continued deterioration could well hand the Communists an exploitable issue.

Thieu has made a number of changes in economic policy-making positions in recent months in an effort to bring in men who are more energetic. The government meanwhile is leaning toward more direct controls, but no clear-cut economic policies have emerged.

South Vietnam's economic problems--declining real aid, stagnation of industrial production, rapid inflation, and the sharp reduction in US spending--have affected urban areas and persons on fixed incomes most of all. The US Embassy in Saigon estimates that unemployment may now be on the order of 1 million people--about 15 percent of the labor force.

Wages are failing to keep up with the rising cost of living. This is particularly true of government employees, both civilian and military, who account for more than one fifth of the labor force. Despite a 25-percent pay hike last year, the real wages of government employees are only two thirds of what they were a year ago.

At the moment, after a good harvest, agriculture is relatively strong. This performance is unlikely to be sustained. While farmers will probably still be able to meet their own needs, buyers may find it increasingly difficult to purchase rice in the delta for shipment to Saigon and the rice-deficit provinces farther north.

World prices for goods purchased abroad by South Vietnam rose last year by an average of 25 percent. For the same amount of imports this year, including the major ones--fertilizer, rice, wheat, and petroleum products--Saigon would have to pay another 25 percent more. South Vietnamese exports are expected to bring in only about $100 million this year.

(continued)

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

The US Embassy believes that South Vietnam will need supplemental aid this year. At currently anticipated levels of foreign aid, the economic outlook for 1974 is similar to that of 1973--low domestic and foreign investment, little or no growth in production, widening inequalities in income, growing unemployment, and continued deferral of reconstruction and development. Each increase in consumer prices that is not accompanied by a gain in income for the working classes is likely to increase the prospects for political unrest, which has been virtually non-existent within the non-Communist majority in recent years.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

GUATEMALA

The Guatemalan Army is increasingly uneasy over the massive fraud perpetrated by the government in last Sunday's presidential election [redacted] 25X1 25X1

[redacted] 25X1 25X1 25X1

The top general, Defense Minister Rubio, is on record as saying that the military should guarantee the constitutional process. [redacted] 25X1 25X1

The army may be forced to act. It might, with Arana's approval, take power and install General Rubio as a caretaker chief of state for an indefinite period. Arana would, in effect, retain control.

[redacted] the next few days are critical. If demonstrations can be kept under control, the situation will probably stabilize and Laugerud will be able to assume power next July. 25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

ARGENTINA

The Argentine Government last night announced the formal resignation of the Cordoba governor whose ouster by the provincial police chief more than a week ago touched off a crisis that has rocked the province ever since.

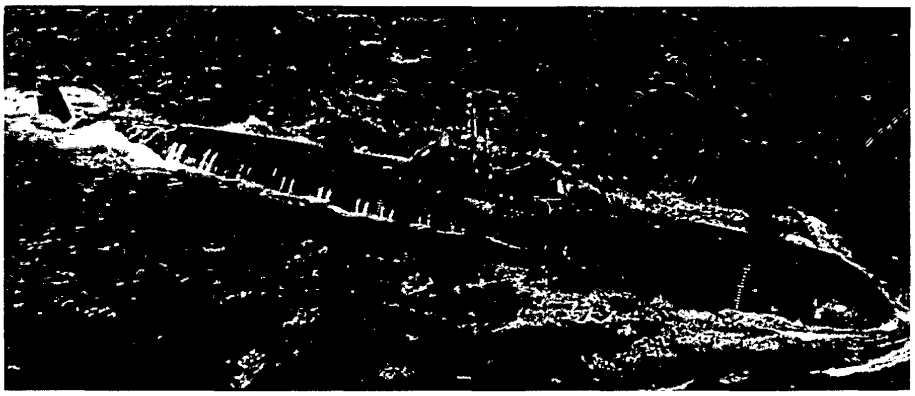
The ex-governor's resignation should help end the impasse on federal intervention in Cordoba. It has been held up so far by the government's inability to obtain in the federal Chamber of Deputies the two-thirds majority vote required to treat President Peron's intervention proposal out of turn.

The federal government's allowing the ex-governor to resign "with honor" was one of several stipulations that a non-Peronist party had been demanding as its price for voting with the Peronists on this issue.

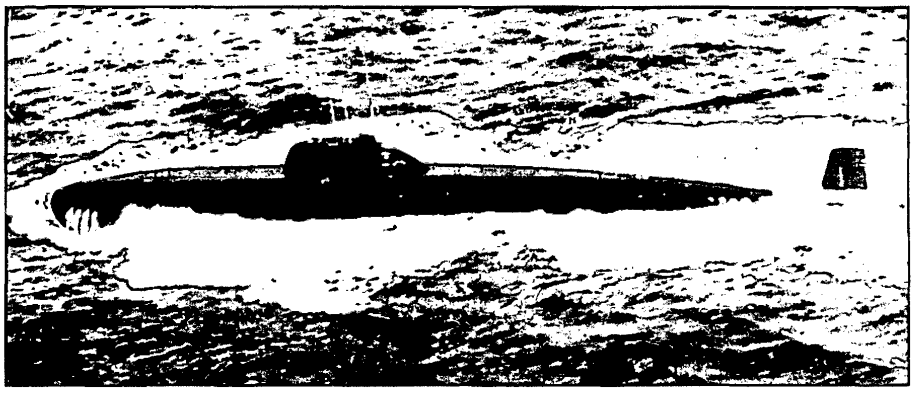
Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

C-class guided-missile submarine



V-class attack submarine



555389 3-74 CIA

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

NOTES

Egypt: Soviet Foreign Minister Gromyko's visit to Egypt this month brought about an outpouring of praise in the Egyptian press for friendship with the USSR. It also brought assertions, however, that Egypt's performance in the October war entitles it to deal with the Soviet Union and the US as an equal. An editor [redacted] said that the government must guard against granting "special status" to either the US or USSR, and that in Egypt's eyes both relationships have equal significance. Moscow, using its propaganda apparatus, has already made clear its objection to the notion that its status in Egypt has diminished. 25X1

EC-Canada: Ottawa and the EC Nine apparently are preparing a declaration to define the principles and goals of the EC-Canada relationship. Canada is drafting a text, and the French are drafting an EC position paper. Canada has attached great importance to staking out a relationship with the EC that is separate from that of the US. Last fall, French Foreign Minister Jobert suggested that Canada insist on its own declaration rather than settle for a separate reference to Canada in an American-European declaration. West German Foreign Minister Scheel, during a visit to Ottawa last September, agreed in principle to support a separate Canada-EC declaration. Informal discussions have been under way since that time.

USSR: Two Soviet nuclear-powered submarines--one a V-class attack and the other a C-class guided-missile unit--were sighted in the Indian Ocean on [redacted] This is the first time such submarines have been sent to the Indian Ocean. The Soviet surface force there was recently upgraded by the addition of a Kresta II class guided-missile cruiser--the first time a modern surface warship of this class has been in the Indian Ocean. 25X1

Germany: Negotiators agreed to a protocol for exchanging representatives yesterday, and press reports speculate that Bonn may approve the document as early as March 13. No date has been set for establishing formal ties, but the two sides were optimistic earlier that missions could be established before the end of June. Bonn apparently had its way on representing West Berlin in East Germany.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4

Top Secret

Declassified in Part - Sanitized Copy Approved for Release 2016/07/19 : CIA-RDP79T00936A012000010027-4